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IDAHO PUBLIC
UTILITIES COMMISSION

March 14, 2014

Jean J. Jewell, Secretary
Idaho Public Utilities Commission
P.O. Box 83720
Boise, Idaho 83720-0084

Re: Case No. IPC-E-13-21

Dear Mrs. Jewell:

Enclosed for filing in the captioned case please find the original and one copy of the **IDAHO IRRIGATION PUMPERS ASSOCIATION, INC'S PUBLIC COMMENTS.**

Thank you for your assistance.

Sincerely,

ERIC L. OLSEN

ELO:tl

Enclosures

c: Service List (Via Email)

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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for the Idaho Irrigation Pumpers Association, Inc.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF IDAHO POWER
COMPANY'S APPLICATION FOR
APPROVAL OF ITS CAPACITY
DEFICIENCY PERIOD TO BE
UTILIZED IN THE COMPANY'S SAR
METHODOLOGY**

CASE NO. IPC-E-13-21

**IDAHO IRRIGATION PUMPERS
ASSOCIATION, INC.'S PUBLIC
COMMENTS**

COMES NOW, the Idaho Irrigation Pumpers Association, Inc. ("IIPA"), and hereby provides public comment in above case. The IIPA acknowledges that these comments are made out of time in that the public comment period expired on February 28, 2014. The IIPA does not normally participate in cases of this nature and thus, has not filed a Petition to Intervene. However, after reviewing the Comments of the Commission Staff dated February 28, 2014, we find it necessary to raise our concerns with the Staff's proposal. Although the IIPA agrees with most of Staff's comments, we take exception with a few of the Staff's conclusions that dramatically alter the impact on ratepayers. The IIPA's public comments will not broaden the issues addressed in this case and will not prejudice any party to this case.

As pointed out by the Staff, this case is the outcome of Order No. 32697 that directed that a case be initiated outside of each utility's Integrated Resource Plan ("IRP") filing to establish a capacity deficiency period to be utilized in the utility's Surrogate Avoided Resource ("SAR") methodology for computing avoided cost rates to be included in PURPA power purchase agreements. Order No. 32697 was issued on December 18, 2012 or approximately 15 months ago.

As recognized by the Staff, a lot of changes in Idaho Power's IRP filings have occurred since Order No. 32697:

- Idaho Power filed its 2013 IRP on June 28, 2013. In that filing, Idaho Power identified its first peak-hour deficit occurring in July 2016.

- Idaho Power filed updated components to its incremental cost IRP avoided cost methodology on October 15, 2013. After these updates, Idaho Power identified its first peak-hour deficit occurring in July 2013.
- Most important and germane to the instant case, Idaho Power once again updated its peak-hour deficit on October 2, 2013 by the inclusion of its demand response programs that resulted from a settlement agreement in Case IPC-E-13-14. With inclusion of the demand response programs, the first peak-hour deficit does not occur until July 2021.
- The Commission approved the settlement agreement regarding the future of demand response programs that came out of Case IPC-E-13-14 on November 12, 2013.

The settlement in the demand response case added 440 MW of load response to Idaho Power's resource balance. This is based upon the actual load response capacity that had historically existed—demand response equipment on specific resources. The new peak-hour deficit date of July 2021 is based upon this 440 MW of demand response.

As stated in the Staff's Comments, there is a great deal of uncertainty regarding the amount of demand response resources that will be participating at any point in the future. The settlement in Case IPC-E-13-14 provided for lower incentives to be paid as well as changes to the frequency of curtailment/interruptions. The Staff Comments at page 5 stated:

Staff supported reducing payments to irrigators in the belief that it is more important to lower costs for all ratepayers than pay higher incentives in an attempt to maintain demand response in excess of the supply-side resource it defers.

The Staff and Idaho Power agree that there will be some decrease in participation because of these changes. IIPA also agrees that there will be some level of decrease. But, no one knows what the impact of those changes will be. However, this reduction in participation is not permanent. The decrease in incentive payment and the increased interruptions were designed to directly save money for all ratepayers by lowering the incentive cost, and indirectly by reducing (by some unknown amount) the level of participation.

Up until this point, the IIPA agrees with the Staff. However, the Staff is now proclaiming that the 440 MW of potential demand resources will drop to 170 MW and that Idaho Power will be facing a capacity deficit as early as July 2016. The Staff has come full circle. First it felt that Idaho Power was paying too much for demand response and had too much (440 MW) of demand response that it would not need for years. By reducing the incentive that is paid for demand response, the Staff expects to save ratepayers money and not spend money "in an attempt to maintain demand response in

excess of the supply-side resource it defers.” Now, the Staff claims that the demand response resources will drop from 440 MW to 170 MW (without support), and that higher avoided cost rates will be needed to be paid for new PURPA contracts to fill the capacity deficit that was caused by reducing the incentive paid to demand response participants.

Furthermore, the Staff ignores the fact that the level of demand response resources can easily be brought up to former levels by simply increasing the incentive back to previous levels and/or by instituting less harsh curtailment parameters. At the moment the ratepayers have the best of both worlds with 440 MW of potential demand response resources available, while paying rates and having terms that will greatly reduce the amount paid by ratepayers. As the need arises (and only as the need arises) incentive rates and terms can be adjusted to bring on more demand response resources that are already in the field and hooked up.

On pages 6 and 7 of its Comments, the Staff recognizes “that Idaho Power will have a year of modified program experience before publishing its next IRP in 2015.” If the Commission is going to set new SAR rates soon, then it should use the most recent value for demand response resources (440 MW) that was used in the settlement approved by the Commission on November 12, 2013. Before using any value other than the 440 MW demand response figure, the Commission should wait until the 2015 IRP is released and Idaho Power has more experience with the new rates that went into effect for this coming summer. Given the overlap that occurs between the relationship of the price of incentives, the amount of demand resources that are available, the impact on future deficits, and SAR rates, the Commission should consider addressing all of these factors at the same time.

DATED this 14th day of March, 2014.

RACINE OLSON NYE BUDGE
& BAILEY, CHARTERED

BY: 
ERIC L. OLSEN

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 14th day of March, 2013 I served a true, correct and complete copy of the Idaho Irrigation Pumpers Association, Inc.'s Public Comments to each of the following, via U.S. Mail or private courier, e-mail or hand delivery, as indicated below:

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